

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 SEC-01 JUSE-00 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 PRS-01 SP-02 OMB-01 NSCE-00

SSO-00 USIE-00 INRE-00 /089 W
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O R 211830Z MAY 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC IMMEDIATE 0257

INFO RUESZPGNAMEMBASSY PANAMA 2616

AMEMBASSY GUATEMALA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

UNCLAS SAN JOSE 2064

E.O. 11652: NA

TAGS: ETRD CS

SUBJECT: FACIO ASKED BANANA INVESTIGATION

REF: SAN JOSE 2047

1. SUMMARY: BOTH FONMIN FACIO AND PRESIDENT ODUBER
ADDRESSED THEMSELVES YESTERDAY, MAY 20, TO THE
CONTINUING BANANA COMPANY SCANDAL. END SUMMARY.

2. THIS MORNINGS PRESS CARRIES FULL STATEMENT TO
ASSEMBLY BY FONMIN FBIO GIVING BACKGROUND OF
HIS RECENT ACTIONS IN THE BANANA COMPANY SCANDAL.
FACIO STATES THAT WHILE IN WASHINVSON HE RECEIVED
INSTRUCTIONS FROM PRESIDENT ODUBER TO CLARIFY INSINUATIONS
IN THE WALL STREET JOURNAL THAT COSTA RICA WAS INVOLVED
IN UNITED BRANDS' BRIBERY ATTEMPTS. SINCE THE SEC
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IS AN AUTONOMOUS AGENCY OF THE USG, FACIO SAYS THAT HE AND AMBASSADOR SILVA PROCEEDED THROUGH THE DEPARTMENT OF STATE TO ASK THAT THE SEC PROVIDE INFORMATION ON THIS MATTER. ACCORDING TO FACIO, THE DEPARTMENT CONSULTED WITH SEC AND REPLIED THAT THE SEC HAD NO CONCRETE KNOWLEDGE OF ILLEGAL PAYMENTS BY UNITED BRANDS TO COSTA RICANS. FACIO ADDS THAT UNITED BRANDS ALSO CATEGORICALLY DENIED SUCH PAYMENT IN A CABLE TO ODUBER.

3. FACIO'S STATEMENT CONTINUES AS FOLLOWS: "SINCE SEVERAL MONTHS AGO THE PRESIDENT AND I RECEIVED INFORMATION, NOT CONFIRMED BUT NOT INCREDIBLE, THAT THE THREE TRANSNATIONAL COMPANIES WHICH CONTROL THE BANANA BUSINESS IN CENTRAL AMERICA (UNITED BRANDS, STANDARD FRUIT AND DEL MONTE) HAD AN AGREEMENT TO CONTRIBUTE TO A FUND OF FIVE MILLION DOLLARS DESTINED 'TO DESTABLIZE' THE CENTRAL

AMERICAN COUNTRIES WHICH INTENDED TO APPLY A BANANA TAX AND CONSOLIDATE THE UPEB, WE THOUGHT THAT THE OPPORTUNITY WAS PROPITIOUS FOR THE SEC, IN EXERCISE OF ITS FUNCTION TO INVESTIGATE WHETHER US COMPANIES HAVE UTILIZED FUNDS WITHOUT THE KNOWLEDGE OF THEIR SHAREHOLDERS, BY THE SAME PROCEDURE USED AGAINST UNITED BRANDS, TO SEARCH THE DOCUMENTS AND ACCOUNTING RECORDS OF STANDARD FRUIT AND DEL MONTE, TO DETERMINE WHETHER IN REALIZTY THEY CONTRIBUTED TO SUCH A FUND, AND IF SO TO WHICH OFFICIALS, PUBLICITY AGENTS OR PRIVATE PERSONS PAYMENTS MIGHT HAVE BEEN MADE TO FORWARD THE PROGRAM OF 'DESTABILIZING' THOSE COUNTRIES WHICH TRIED TO COLLECT THE BANANA TAX. WE RECOGNIZE, OF COURSE, THAT OUR GOVERNMENT HAS NO RIGHT TO REQUIRE THE SEC TO UNDERTAKE THIS OR ANY OTHER KIND OF INVESTIGATION. NEITHER WOULD WE WISH TO CONTRIBUTE TO ANY SLIGHTING OF OUR SOVEREIGNTY, EXTENDING JURISDICTION FOR AGENCIES OF THE U.S. GOVERNMENT TO COME TO INVESTIAGE INTERNAL MATTERS OF COSTA RICA. WE SIMPLY SUGGESTED TO THE APPROPRIATE AUTHORITIES OF THE STATE DEPARTMENT THAT THEY, IF THEY AGREED, SHOULD INTERPOSE THEIR GOOD OFFICES FOR THE SEC TO DISCHARGE A FUNCTION IN ITS COMPETENCE WITHIN THE U.S. WHICH IS UNCLASSIFIED

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THAT OF CLARIFYING THE LEGITIMATE OR NON-LEGITIMATE USE OF FUNDS TO INTERFERE IN THE INTERNAL POLICY OF FOREIGN GOVERNMENTS. WE THOUGHT THAT SUCH AN INVESTIGATION WOULD INTEREST THE DEPARTMENT OF STATE, BECAUSE IT WOULD REDOUND TO AN IMPROVEMENT OF RELATIONS BETWEEN COUNTRIES WHICH COULD BE AFFECTED BY THE ILLEGAL ACTION OF TRANSNATIONAL COMPANIES AND THE GOVERNMENT OF THE U.S. WE HAVE NOT YET HAD A REACTION FROM THE STATE

DEPARTMENT TO OUR SUGGESTION."

4. AP AND UPI DESPATCHES CARRIED HERE TODAY REPORTS THAT BOTH UNITED BRANDS AND CASTLE AND COOK HAVE DENIED ALLEGATIONS THAT THEY ATTEMPTED TO DESTABILIZE CENTRAL AMERICAN COMPANIES.

5. MEANWHILE IN A TELEVISION PRESS CONFERENCE MAY 20 PRESIDENT ODUBER SPOKE OF THE INTENSIVE EFFORTS OF THE MAJOR BANANA COMPANIES TO IMPEDE THE IMPOSITION OF THE BANANA TAX BY PRODUCING COUNTRIES. HE REFERRED TO "AN INTENSIVE CAMPAIGN TO DESTROY PUBLIC CONFIDENCE IN THE GOVERNMENTS OF COSTA RICA, PANAMA, AND HONDURAS." IN THE WAKE OF PRESS INSINUATIONS THAT COSTA RICA MIGHT BE INVOLVED IN BRIBERY ATTEMPTS, ODUBER SAID THAT

HE ASKED FACIO TO CARRY HIS PROTEST, "IF NECESSARY TO THE PRESIDENT OF THE UNITED STATES" OF THESE CHARGES AND TO REQUEST AN INVESTIGATION NOT ONLY AS TO WHETHER THESE COMPANIES TRIED TO BUY FOREIGN OFFICIALS BUT ALSO AS TO WHETHER THEY USED MONEY TO FINANCE CAMPAIGNS IN CENTRAL AMERICA TO CREATE A LACK OF CONFIDENCE AND DOUBT ABOUT THESE COUNTRIES. "AS A COSTA RICAN, I DON'T WANT THE INFORMATION MEDIA IN THE U.S. TO CONTINUE TO BE USED -- FREQUENTLY BOUGHT -- TO CAST SHADOWS OVER THE GOVERNMENTS WHICH ARE FIGHTING FOR SOCIAL IMPROVEMENT." TODMAN

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